

ANALYSIS OF AMENDED BILL

Author: Calderon Analyst: Victoria Favorito Bill Number: AB 1561
 Related Bills: See Prior Analysis Telephone: 845-3825 Amended Date: June 14, 2007
 Attorney: Doug Powers Sponsor: Franchise Tax Board

SUBJECT: Conformity Act of 2007

SUMMARY

This bill would change California's specified date of conformity to federal income tax law from January 1, 2005, to January 1, 2007, and thereby, in general, conform to the numerous changes made in federal income tax law during that two-year period.

SUMMARY OF AMENDMENTS

The June 14, 2007, amendment removed the previous provisions of the bill and added the conformity language discussed in this analysis.

PURPOSE OF THE BILL

According to the author's office, the purpose of the bill is to conform to numerous changes in federal law to simplify the preparation of California income tax returns.

EFFECTIVE/OPERATIVE DATE

This bill is a tax levy. Thus, it would be effective immediately, and unless otherwise specified, it would apply to taxable years beginning on or after January 1, 2007.

POSITION

On June 27, 2007, the Franchise Tax Board voted 2-0 to support this bill, as amended June 14, 2007, with the representative from Department of Finance abstaining.

Summary of Suggested Amendments

Technical amendments are necessary and have been provided to the author.

Board Position:

<input checked="" type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input type="checkbox"/> PENDING

Department Director

Date

Selvi Stanislaus

7/20/07

ANALYSIS

FEDERAL/STATE LAW

See the Franchise Tax Board's (FTB) annual reports titled "[Summary of Federal Income Tax Changes – 2005](#)" and "[Summary of Federal Income Tax Changes – 2006](#)" for a detailed discussion of federal and state law.

THIS BILL

This bill would change the specified date from January 1, 2005, to January 1, 2007, for taxable years beginning on or after January 1, 2007. Changing the specified date automatically conforms state law to all changes from January 1, 2005, through December 31, 2006, to Internal Revenue Code (IRC) sections that have been previously incorporated by reference. Thus, California law would conform to most of the changes made to the federal income tax law during that two-year period.

In addition, this bill would make numerous changes to specifically not conform to or modify certain items in the IRC. In addition, technical changes regarding cross references and deletion of unnecessary language that was used to conform to federal law changes subsequent to January 1, 2005, and prior to January 1, 2007, are being made by this bill.

The following tables list the following:

- the federal Act sections that impact provisions of the Personal Income Tax Law (PITL), Administration of Franchise and Income Tax Law (AFITL), and Corporation Tax Law (CTL),
- the beginning page number in FTB's annual report where that provision is discussed, and
- the change under this bill--whether AB 1561 conforms or does not conform to that provision. (Note that conformity decisions that require modification are listed in the conform column.)

For certain federal provisions, California law automatically conforms to a federal law change and those provisions are not listed and not discussed in this analysis. Additionally, those federal provisions that are not applicable to the PITL, AFITL, and CTL are not listed and not discussed in this analysis. See FTB's annual reports of federal changes for [2005](#) and [2006](#) for a detailed discussion of the federal provisions that are automatic or not applicable to the PITL, AFITL, and CTL.

2005 Conformity Decisions

These tables contain only items for which a conformity decision was necessary.

Table 2 – Conformity Revenue Estimates for Disaster Mitigation Payments Act (PL 109-7) For Amounts Received or Dispositions Made Before, On, Or After April 15, 2005 Assumed Enactment After June 30, 2007				
		FTB's 2005 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
1	Proper Tax Treatment of Certain Disaster Mitigation Payments	9	X	

Table 3 – Conformity Revenue Estimates for ETIA of 2005 (PL 109-58) Assumed Enactment After June 30, 2007				
		FTB's 2005 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
1308	Electric Transmission Property Treated As 15-year Property	38	PIT	CORP
1309	Expansion of Amortization For Certain Atmospheric Pollution Control Facilities In Connection With Plants First Placed in Service after 1975	40	X	
1310	Modification to Special Rules For Nuclear Decommissioning Cost	41	X	
1323	Temporary Expensing for Equipment Used in Refining Liquids Fuels	50		X
1324	Pass Through to Owners of Deduction for Capital Costs Incurred By Small Refiner Cooperatives in Complying With EPA Sulfur Regulations	54		X
1325	Natural Gas Distribution Lines Treated As 15-Year Property	57	PIT	CORP
1326	Natural Gas Gathering Lines Treated As 7-Year Property	59	PIT	CORP
1328	Determination of Small Refiner Exception to Oil Depletion Deduction	67	X	
1329	Amortization of Geological and Geophysical Expenditures	68	X	

Table 3 – Conformity Revenue Estimates for ETIA of 2005 (PL 109-58) Assumed Enactment After June 30, 2007				
		FTB's 2005 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
1331	Energy Efficient Commercial Buildings Deduction	71		X
1351	Expansion of Research Credit	101		X
1363	Modification of Recapture Rules for Amortizable Section 197 Intangibles	107	X	

Table 5 – Conformity Revenue Estimates for GO Zone Act of 2005 (PL 109-135) Assumed Enactment After June 30, 2007				
		FTB's 2005 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
101-F	Expensing for Certain Demolition and Clean-up Costs	182		X
101-O	Treatment of Public Utility Disaster Losses	203		X
303	Modification of Effective Date of Exception from Suspension Rules for Certain Listed and Reportable Transactions	253	X	
305	Disclosures of Certain Tax Return Information	256		X
401-423	Tax Technical Provisions	261	X	

2006 Conformity Decisions

These tables contain only items for which a conformity decision was necessary.

Table 1 – Conformity Revenue Estimates for TIPRA of 2005 (PL 109-222))				
		FTB's 2006 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
Title II	OTHER PROVISIONS			
201	Clarification of Taxation of Certain Settlement Funds	23	X	
202	Modification of Active Business Definition under Section 355	25	X	
204	Capital Gains Treatment for Certain Self-Created Musical Works	31	X	
207	Amortization of Expenses Incurred in Creating or Acquiring Music or Music Copyrights	38	X	
209	Modification of Treatment of Loans to Qualified Continuing Care Facilities	43	X	
Title V	REVENUE OFFSET PROVISIONS			
501	Application of Earnings Stripping Rules to Partners Which are Corporations	50	X	
503	5-Year Amortization of Geological and Geophysical Expenditures for Certain Major Integrated Oil Companies	53	X	
507	Section 355 Not to Apply to Distributions Involving Disqualified Investment Companies	65	X	
510	Increase in Age of Minor Children Whose Unearned Income is Taxed as if Parent's Income	75	X	

Table 3 – Conformity Revenue Estimates for Clarification of Treatment of Self-Employment for Purposes of the Limitation on State Taxation of Retirement Income (PL 109-264)				
		FTB's 2006 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
1	Clarification of Treatment of Self-Employment for Purposes of the Limitation on State Taxation of Retirement Income	101	X	

Table 4 – Conformity Revenue Estimates for PPA of 2006 (PL 109-280)				
		FTB's 2006 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
Title I	REFORM OF FUNDING FOR SELF-EMPLOYED DEFINED BENEFIT PENSION PLANS			
112	Minimum Funding Standards; Funding Rules for Single-Employer Defined Benefit Pension Plans	103	X	
113	Benefit Limitations Under Single-Employer Plans	125	X	
Title II	FUNDING RULES FOR MULTIEMPLOYER DEFINED BENEFIT PENSION PLANS			
211	Funding Rules for Multiemployer Defined Benefit Plans	143	X	
212	Additional Funding Rules for Multiemployer Plans in Endangered or Critical Status	151	X	
221	Sunset of Additional Funding Rules	177	X	
Title VIII	PENSION RELATED REVENUE PROVISIONS			
Subtitle C	Improvements in Portability, Distributions, and Contribution Rules			
827	Penalty-Free Withdrawals from Retirement Plans for Individuals Called to Active Duty for at Least 179 Days	290	X	

Table 4 – Conformity Revenue Estimates for PPA of 2006 (PL 109-280)				
		FTB's 2006 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
828	Waiver of 10% Early Withdrawal Penalty Tax on Certain Distributions of Pension Plans for Public Safety Employees	293	X	
831	Allowance of Additional IRA Payments in Certain Bankruptcy Cases	298	X	
833	Inflation Indexing of Gross Income Limitations on Certain Retirement Savings Incentives	301	X	
Subtitle D	Health and Medical Benefits			
844	Treatment of Annuity and Life Insurance Contracts with a Long-Term Care Insurance Feature	315		X
Subtitle F	Other Provisions			
863	Treatment of Death Benefits from Corporate-Owned Life Insurance	335	X	
866	Exemption of Income from Leveraged Real Estate Held by Church Plans	345	X	
868	Gratuitous Transfer for Benefits of Employees	348	X	
Title XII	PROVISIONS RELATING TO EXEMPT ORGANIZATIONS			
Subtitle A	Charitable Giving Incentives			
1201	Tax-Free Distributions from Individual Retirement Plans for Charitable Purposes	401	X	
1202	Extension of Modification of Charitable Deduction for Contribution of Food Inventory	410	X	
1203	Basis Adjustment to Stock of S Corporation Contributing Property	413	X	
1204	Extension of Modification of Charitable Deduction for Contribution of Book Inventory	415	X	
1205	Modification of Tax Treatment of Certain Payments to Controlling Exempt Organizations	417	X	

Table 4 – Conformity Revenue Estimates for PPA of 2006 (PL 109-280)				
		FTB's 2006 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
1206	Encouragement of Contributions of Capital Gains Real Property Made for Conservation Purposes	420	X	
Subtitle B	Reforming Exempt Organizations			
Part 1	General Reforms			
1211	Reporting on Certain Acquisitions of Interests on Insurance Contracts in Which Certain Exempt Organizations Hold an Interest	429	X	
1213	Reform of Charitable Contributions of Certain Easements in Registered Historic Districts and Reduced Deduction for Portion of Qualified Conservation Contribution Attributable to Rehabilitation Credit	437	X	
1214	Charitable Contributions for Taxidermy Property	443	X	
1215	Recapture of Tax Benefit for Charitable Contributions of Exempt Use Property Not Used for an Exempt Use	446	X	
1216	Limitation of Deduction for Charitable Contributions of Clothing and Household Items	451	X	
1217	Modification of Recordkeeping Requirements for Certain Charitable Contributions	455	X	
1218	Contributions of Fractional Interests in Tangible Personal Property	457	X	
1219	Provisions Relating to Substantial and Gross Overstatements of Valuations	460	X	
1220	Additional Standards for Credit Counseling Organizations	465	X	
1222	Definition of Convention or Association of Churches	479	X	
1223	Notification Requirement for Entities Not Currently Required to File	481	X	

Table 4 – Conformity Revenue Estimates for PPA of 2006 (PL 109-280)				
		FTB's 2006 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
Part 2	Improved Accountability of Donor Advised Funds			
1231- 1235	Excise Taxes Relating to Donor Advised Funds, Excess Benefit Transactions Involving Donor Advised Funds and Sponsoring Organizations, Excess Business Holdings of Donor Advised Funds, Returns of, and Application for Recognition by Sponsoring Organizations	492		X
Part 3	Improved Accountability of Supporting Organizations			
1241- 1245	Requirements for Supporting Organizations, Excess Benefit Transactions Involving Supporting Organizations, Excess Business Holding of Supporting Organizations, Treatment of Amounts Paid to Supporting Organizations by Private Foundations, and Returns of Supporting Organizations	510		X

Table 5 – Conformity Revenue Estimates for TRHCA of 2006 (PL 109-432)				
		FTB's Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
Division A	Extension and Expansion of Certain Tax Relief Provisions and Other Tax Provisions			
Title I	EXTENSION AND MODIFICATION OF CERTAIN PROVISIONS			
104	Extension and Modification of Research Credit	538		X
122B	Disclosure of Return Information Regarding Terrorist Activity	577		X
Title II	ENERGY TAX PROVISIONS			
204	Deduction for Energy Efficient Commercial Buildings	589		X
209	Special Depreciation Allowance for Cellulosic Biomass Ethanol Plant Property	597		X

Table 5 – Conformity Revenue Estimates for TRHCA of 2006 (PL 109-432)				
		FTB's Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
Title IV	OTHER PROVISIONS			
402	Credit for Prior Year Minimum Tax Liability Made Refundable After Period of Years	616		X
404	Partial Expensing for Advance Mine Safety Equipment	620		X
406	Whistleblower Reforms	624		X
407	Frivolous Tax Submissions	626	X	
409	Clarification of Taxation of Certain Settlement Funds Made Permanent – Effective in Taxable Year 2011.	629	X	
410	Modification of Active Business Definition Under Section 355 Made Permanent – Effective in Taxable Year 2011.	630	X	
412	Capital Gains Treatment for Certain Self-Created Musical Works Made Permanent	635	X	
417	Exclusion of Gain from Sale of Principal Residence by Certain Employees of the Intelligence Community	648	X	
418	Sale of Property by Judicial Officers	650	X	
419	Premiums for Mortgage Insurance	651	X	
424	Modification of Excise Tax on Unrelated Business Taxable Income of Charitable Remainder Trusts	661		X
425	Loans to Qualified Continuing Care Facilities Made Permanent – Effective in Taxable Year 2011	662	X	
426	Technical Corrections	664	X	

TECHNICAL CONSIDERATION

Technical amendments are necessary and have been provided to the author.

PROGRAM BACKGROUND

The PITL and the CTL, in general, conform to the Internal Revenue Code (IRC) either by reference to federal law as of a “specified date” or by stand-alone language that mirrors the federal provision. Currently, California law is conformed to the IRC as of January 1, 2005, unless a specific provision provides otherwise.

OTHER STATES’ INFORMATION

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California’s economy, business entity types, and tax laws.

Research indicated that only *Florida, Massachusetts, and Illinois* have significantly conformed to the 2005 and 2006 federal income tax law changes. *Florida* has a corporation income tax only; therefore, federal changes affecting personal income tax laws are not applicable in Florida.

FISCAL IMPACT

This bill would not significantly impact the department’s costs.

ECONOMIC IMPACT

Revenue Estimate

2005 Conformity Revenue Estimates

Table 2 – Conformity Revenue Estimates for Disaster Mitigation Payments Act (PL 109-7) For Amounts Received or Dispositions Made Before, On, Or After April 15, 2005 Assumed Enactment After June 30, 2007				
Act Section	Provisions	2007-08	2008-09	2009-10
1	Proper Tax Treatment of Certain Disaster Mitigation Payments	No impact	No impact	No impact

Table 3 – Conformity Revenue Estimates for ETIA of 2005 (PL 109-58) Assumed Enactment After June 30, 2007				
Act Section	Provisions	2007-08	2008-09	2009-10
1308	Electric Transmission Property Treated As 15-year Property	- < \$150,000	-< \$150,000	-<\$150,000

Table 3 – Conformity Revenue Estimates for ETIA of 2005 (PL 109-58) Assumed Enactment After June 30, 2007				
Act Section	Provisions	2007-08	2008-09	2009-10
1309	Expansion of Amortization For Certain Atmospheric Pollution Control Facilities In Connection With Plants First Placed in Service after 1975	No impact	No impact	No impact
1310	Modification to Special Rules For Nuclear Decommissioning Cost	-\$1,000,000	-\$2,000,000	-\$2,000,000
1325	Natural Gas Distribution Lines Treated As 15-Year Property	- < \$150,000	-< \$150,000	-< \$150,000
1326	Natural Gas Gathering Lines Treated As 7-Year Property	- < \$150,000	-< \$150,000	-< \$150,000
1328	Determination of Small Refiner Exception to Oil Depletion Deduction	-\$1,000,000	-\$1,000,000	-\$1,000,000
1329 **	Amortization of Geological and Geophysical Expenditures	\$7,000,000	-\$1,000,000	-\$6,000,000
1363	Modification of Recapture Rules for Amortizable Section 197 Intangibles	< \$500,000	<\$500,000	<\$ 500,000

Table 5 – Conformity Revenue Estimates for GO Zone Act of 2005 (PL 109-135) Assumed Enactment After June 30, 2007				
Act Section	Provisions	2007-08	2008-09	2009-10
303	Modification of Effective Date of Exception from Suspension Rules for Certain Listed and Reportable Transactions	< \$150,000	\$0	\$0
401	Tax Technical Provisions	No impact	No impact	No impact
	2005 Total **	\$5,300,000	-\$3,750,000	-\$8,750,000

** includes the revenue effect of 2006 item 503

2006 Conformity Revenue Estimates

Table 1 – Conformity Revenue Estimates for TIPRA of 2005 (PL 109-222))				
Act Section	Provisions	2007-08	2008-09	2009-10
Title II	OTHER PROVISIONS			
201	Clarification of Taxation of Certain Settlement Funds	- < \$250,000	- < \$250,000	- < \$250,000

Table 1 – Conformity Revenue Estimates for TIPRA of 2005 (PL 109-222))

Act Section	Provisions	2007-08	2008-09	2009-10
202	Modification of Active Business Definition under Section 355	- < \$500,000	- < \$500,000	- < \$500,000
204	Capital Gains Treatment for Certain Self-Created Musical Works	\$0	\$0	\$0
207	Amortization of Expenses Incurred in Creating or Acquiring Music or Music Copyrights	< \$150,000	< \$150,000	< \$150,000
209	Modification of Treatment of Loans to Qualified Continuing Care Facilities	- < \$150,000	- < \$150,000	- < \$150,000
Title V	REVENUE OFFSET PROVISIONS			
501	Application of Earnings Stripping Rules to Partners Which are Corporations	0	0	0
503	5-Year Amortization of Geological and Geophysical Expenditures for Certain Major Integrated Oil Companies	Included in 2005 section 1329		
507	Section 355 Not to Apply to Distributions Involving Disqualified Investment Companies	< \$500,000	< \$500,000	< \$500,000
510	Increase in Age of Minor Children Whose Unearned Income is Taxed as if Parent's Income	\$8,000,000	\$9,000,000	\$9,000,000

Table 3 – Conformity Revenue Estimates for Clarification of Treatment of Self-Employment for Purposes of the Limitation on State Taxation of Retirement Income (PL 109-264)

Act Section	Provisions	2007-08	2008-09	2009-10
1	Clarification of Treatment of Self-Employment for Purposes of the Limitation on State Taxation of Retirement Income	baseline*	baseline*	baseline*

Table 4 – Conformity Revenue Estimates for PPA of 2006 (PL 109-280)

Act Section	Provisions	2007-08	2008-09	2009-10
Title I	REFORM OF FUNDING FOR SELF-EMPLOYED DEFINED BENEFIT PENSION PLANS			

Table 4 – **Conformity Revenue Estimates for PPA of 2006 (PL 109-280)**

Act Section	Provisions	2007-08	2008-09	2009-10
112	Minimum Funding Standards; Funding Rules for Single-Employer Defined Benefit Pension Plans	baseline*	baseline*	baseline*
113	Benefit Limitations Under Single-Employer Plans	baseline	baseline	Baseline
Title II	FUNDING RULES FOR MULTIEMPLOYER DEFINED BENEFIT PENSION PLANS			
211	Funding Rules for Multiemployer Defined Benefit Plans	baseline*	baseline*	baseline*
212	Additional Funding Rules for Multiemployer Plans in Endangered or Critical Status	baseline*	baseline*	baseline*
221	Sunset of Additional Funding Rules	baseline*	baseline*	baseline*
Title VIII	PENSION RELATED REVENUE PROVISIONS			
Subtitle C	Improvements in Portability, Distributions, and Contribution Rules			
827	Penalty-Free Withdrawals from Retirement Plans for Individuals Called to Active Duty for at Least 179 Days	- < \$150,000	- < \$150,000	- < \$150,000
828	Waiver of 10% Early Withdrawal Penalty Tax on Certain Distributions of Pension Plans for Public Safety Employees	- < \$150,000	- < \$250,000	- < \$250,000
831	Allowance of Additional IRA Payments in Certain Bankruptcy Cases	- < \$250,000-	- < \$250,000	- < \$250,000
833	Inflation Indexing of Gross Income Limitations on Certain Retirement Savings Incentives	- \$1,000,000	- \$1,000,000	- \$1,000,000
Subtitle F	Other Provisions			
863	Treatment of Death Benefits from Corporate-Owned Life Insurance	< \$150,000	< \$150,000	< \$150,000
866	Exemption of Income from Leveraged Real Estate Held by Church Plans	- < \$150,000	- < \$150,000	- < \$150,000
868	Gratuitous Transfer for Benefits of Employees	< \$150,000	< \$150,000	< \$150,000
Title XII	PROVISIONS RELATING TO EXEMPT ORGANIZATIONS			
Subtitle A	Charitable Giving Incentives			
1201	Tax-Free Distributions from Individual Retirement Plans for Charitable Purposes	< \$ 250,000	< \$250,000	< \$250,000

Table 4 – **Conformity Revenue Estimates for PPA of 2006 (PL 109-280)**

Act Section	Provisions	2007-08	2008-09	2009-10
1202	Extension of Modification of Charitable Deduction for Contribution of Food Inventory	- \$2,000,000	- \$1,000,000	- < \$500,000
1203	Basis Adjustment to Stock of S Corporation Contributing Property	- \$1,000,000	- < \$500,000	- < \$250,000
1204	Extension of Modification of Charitable Deduction for Contribution of Book Inventory	- < \$500,000	- < \$250,000	\$0
1205	Modification of Tax Treatment of Certain Payments to Controlling Exempt Organizations	- \$1,000,000	- < \$500,000	- < \$250,000
Title XII	PROVISIONS RELATING TO EXEMPT ORGANIZATIONS			
Subtitle A	Charitable Giving Incentives			
1206	Encouragement of Contributions of Capital Gains Real Property Made for Conservation Purposes	- \$1,000,000	- < \$500,000	- < \$250,000
1211	Reporting on Certain Acquisitions of Interests on Insurance Contracts in Which Certain Exempt Organizations Hold an Interest	< \$250,000	< \$250,000	\$0
1213	Reform of Charitable Contributions of Certain Easements in Registered Historic Districts and Reduced Deduction for Portion of Qualified Conservation Contribution Attributable to Rehabilitation Credit	< \$250,000	< \$250,000	< \$250,000
1214	Charitable Contributions for Taxidermy Property	< \$250,000	< \$250,000	< \$250,000
1215	Recapture of Tax Benefit for Charitable Contributions of Exempt Use Property Not Used for an Exempt Use	baseline*	baseline*	baseline*
1216	Limitation of Deduction for Charitable Contributions of Clothing and Household Items	< \$250,000	< \$250,000	< \$250,000
1217	Modification of Recordkeeping Requirements for Certain Charitable Contributions	baseline*	baseline*	baseline*
1218	Contributions of Fractional Interests in Tangible Personal Property	< \$250,000	< \$250,000	< \$250,000
1219	Provisions Relating to Substantial and Gross Overstatements of Valuations	< \$250,000	< \$250,000	< \$250,000

* For baseline estimates see individual section write-ups in the Summary of Federal Income Tax Changes for 2005 and 2006. This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this measure

Table 4 – Conformity Revenue Estimates for PPA of 2006 (PL 109-280)				
Act Section	Provisions	2007-08	2008-09	2009-10
1220	Additional Standards for Credit Counseling Organizations	< \$250,000	< \$250,000	< \$250,000
1222	Definition of Convention or Association of Churches	< \$250,000	< \$250,000	< \$250,000
1223	Notification Requirement for Entities Not Currently Required to File	< \$250,000	< \$250,000	< \$250,000
Title IV	OTHER PROVISIONS			
407	Frivolous Tax Submissions	< \$150,000	< \$150,000	< \$150,000
409	Clarification of Taxation of Certain Settlement Funds Made Permanent – Effective in Taxable Year 2011.	Included in TIPRA item 201		
410	Modification of Active Business Definition Under Section 355 Made Permanent – Effective in Taxable Year 2011.	Included in TIPRA item 202		
412	Capital Gains Treatment for Certain Self-Created Musical Works Made Permanent	0	0	0
417	Exclusion of Gain from Sale of Principal Residence by Certain Employees of the Intelligence Community	- < \$150,000	- < \$150,000	- < \$150,000
418	Sale of Property by Judicial Officers	- < \$150,000	- < \$150,000	- < \$150,000
419	Premiums for Mortgage Insurance	- \$3,000,000	\$0	\$0
425	Loans to Qualified Continuing Care Facilities Made Permanent – Effective in Taxable Year 2011	Included in TIPRA item 209		
426	Technical Corrections	\$0	\$0	\$0
	2006 Total**	\$100,000	\$6,950,000	\$8,150,000
	Grand Total 2005 and 2006**	\$5,400,000	\$3,200,000	-\$600,000

** For purposes of adding to totals, estimates of less than \$150,000 were assumed to equal \$50,000; less than \$250,000 equal to \$200,000; and less than \$500,000 equal to \$400,000.

ARGUMENTS/POLICY CONCERNS

Conforming to federal tax law is generally desirable because it is less confusing for the taxpayer. With conformity, the taxpayer is required to know only one set of rules. Additionally, the taxpayer needs to maintain only one set of books. Conformity also eases the burden of the Franchise Tax Board to administer the law by utilizing many federal forms, instructions, and regulations. In addition, whenever possible, the department uses federal information and audit results to verify that taxpayers pay the proper amount of tax. This eliminates the need for the taxpayer to submit the same information to both the IRS and the department.

LEGISLATIVE STAFF CONTACT

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